



# Kinder Morgan Midstream Rule Change Request

## Petition to Change Administrative Code R.649-3-32

Presentation to the Utah Department of Natural Resources' Division of  
Oil, Gas & Mining Board

April 27, 2016

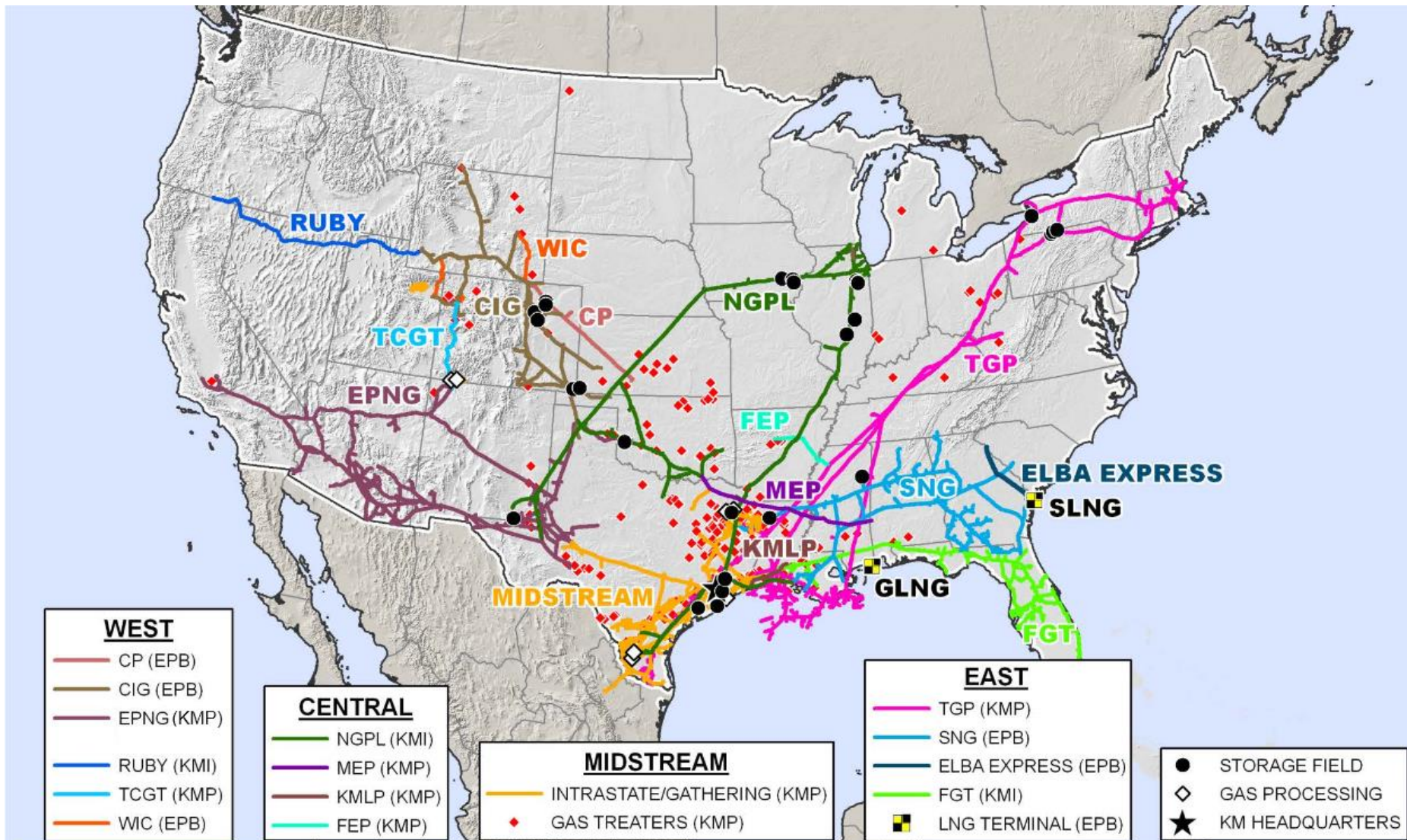


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# About Kinder Morgan



# Kinder Morgan's Natural Gas Pipelines





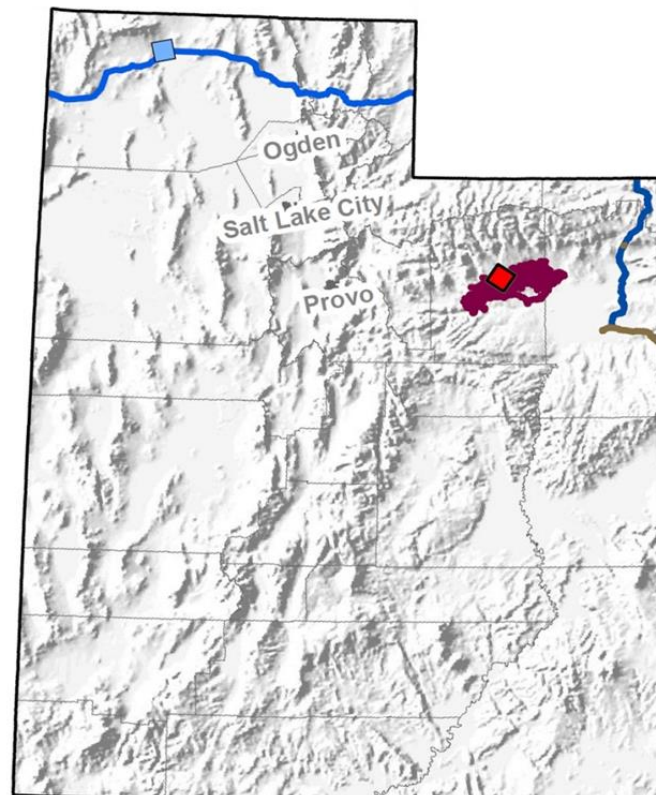
# Kinder Morgan in Utah

## Kinder Morgan's Economic Impact in Utah:

- Kinder Morgan employed **43** people in 2015
- Kinder Morgan paid approximately **\$10.4 million** to local and state taxing bodies in 2015
- Kinder Morgan maintained a payroll of over **\$3.4 million** in 2015
- Kinder Morgan has approximately **920 miles** of pipeline in Utah

## Kinder Morgan Assets in Utah:

- Ruby Pipeline LLC
- Kinder Morgan Midstream's Altamont System
- Wyoming Interstate
- Colorado Interstate Gas Pipeline

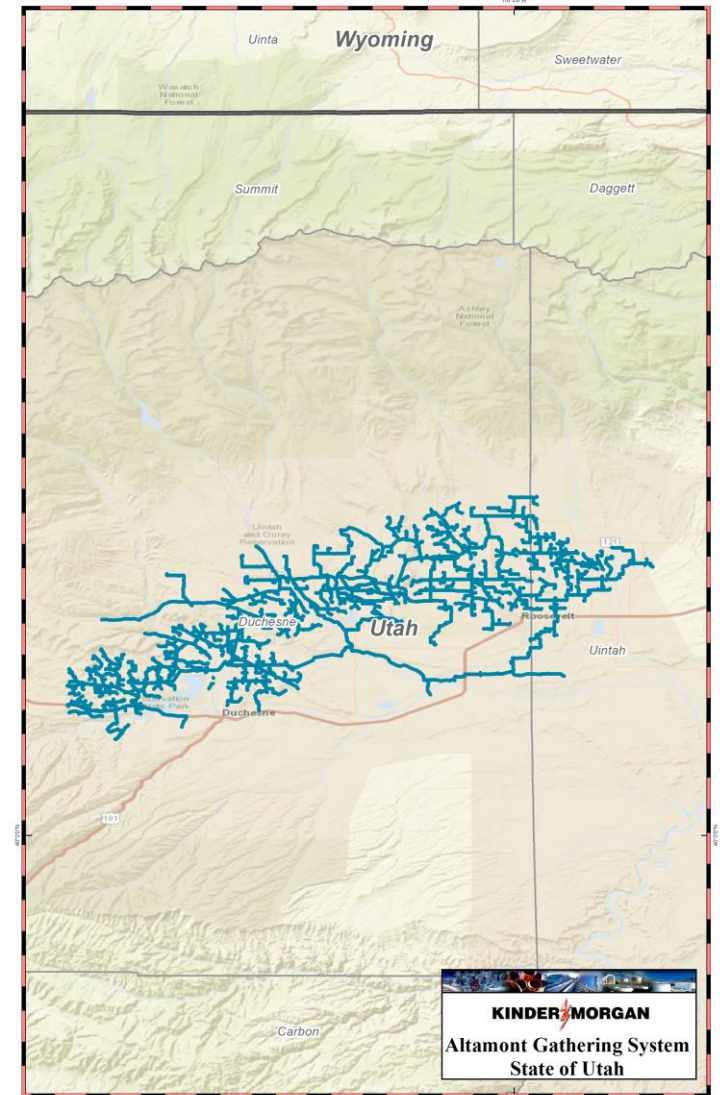


- ◆ EP Gas Processing
- Altamont Gathering
- Colorado Interstate Gas
- Wyoming Interstate Company
- Ruby Pipeline

# Altamont System

## Altamont System

- Gathers casinghead gas from wells in the Altamont, Bluebell, Blacktail Ridge and Central Basin oil fields of the Uintah Basin in Duchesne and Uintah counties of northeast Utah
- Consists of over 500 miles of low-pressure gas gathering pipelines
- 60 million cubic feet per day natural gas liquids recovery plant (currently being expanded to 80 million cubic feet per day)
- 5,600 BPD fractionator processing NGLs
- Gathering customers include: EP Energy, Newfield, Crescent Point, Linn and Bill Barrett



# Kinder Morgan in Utah

## **Natural Gas Processed by Kinder Morgan Altamont:**

- Supplies commercial interests and utilities, including Questar Gas Company residential consumers in Utah.

## **Petroleum Products Processed by Kinder Morgan Altamont:**

- Propane is distributed in Utah for domestic purposes – heating, cooling, cooking.
- Butane is blended into motor gasoline and diesel by such refineries owned by: Big West, Chevron, Tesoro and HollyFrontier and others.
- Condensate used by Utah energy producers and blended motor fuels

**\*Up to 95% of natural gas and petroleum products processed at Altamont in Uintah Basin delivered within the state of Utah**



# Request for Rule Change

## Updating Utah's Flaring Limit Reporting Threshold

- Strengthen Utah's sensible regulatory environment
- Consistent rules and regulations with neighboring oil & gas producing states
- Remove unnecessary burdens to operators and DOGM regulators
- Align Utah's health, safety and environmental permits with flaring reporting limits
- Work closely with DOGM and stakeholders on final rule change

# Utah Administrative Code R. 649-3-32

## Reporting Minor Undesirable Events





# R649-3-32. Reporting of Undesirable Events

- 1. The division shall be notified of all fires, leaks, breaks, spills, blowouts, and other undesirable events occurring at any oil or gas drilling, producing, or transportation facility, or at any injection or disposal facility.
- 5. Major undesirable events include the following:
  - 5.1. Leaks, breaks or spills of oil, salt water or oil field wastes that result in the discharge of more than 100 barrels of liquid, that are not fully contained on location by a wall, berm, or dike.
  - 5.2. Equipment failures or other accidents that result in the flaring, venting, or wasting of more than 500 Mcf of gas.
  - 5.3 – 5.6 – Additional criteria for major undesirable events

# R649-3-32. Reporting of Undesirable Events

- 6. Minor undesirable events include the following:
  - 6.1. Leaks, breaks or spills of oil, salt water, or oil field wastes that result in the discharge of more than ten barrels of liquid and are not considered major events in R649-3-32-5.
  - 6.2 Equipment failures or other accidents that result in the flaring, venting or wasting of more than 50 Mcf of gas and are not considered major events in R649-3-32-5.
  - 6.3 – 6.2 Additional criteria for minor undesirable events



# Kinder Morgan Reporting History Under R. 649-3-32



# Notification Requirements

- Minor undesirable events:
  - Event entered into DOGM online data base within 5 days following the conclusion of an undesirable event
- Major undesirable events:
  - Verbal notification as soon as practicable but within 24 hours after discovery of an undesirable event
  - Event entered into the DOGM online data base within 5 days following the conclusion of an undesirable event



# KM Reporting of Flaring Events

Year	Minor Undesirable Events		Major Undesirable Events		All Reportable Events	
	Number of Events	Reported Volume	Number of Events	Reported Volume	Number of Events	Reported Volume
2013	99	20,948	64	321,374	163	341,885
2014	60	11,019	31	793,268	91	804,287
2015	97	17,844	46	123,593	143	141,437
2016 (through April 15, 2016)	22	3,942	12	64,194	34	68,136

Note: KM reported also 12 minor and 2 major undesirable events related to pipeline leaks and breaks in years 2013-2016

# Suggested Changes to R. 649-3-32 & Anticipated Impact



# General Reporting Requirement

- Current Language

1. The division shall be notified of all fires, leaks, breaks, spills, blowouts, and other undesirable events occurring at any oil or gas drilling, producing, or transportation facility, or at any injection or disposal facility.

- Proposed Change

1. The division shall be notified of ~~all~~ fires, leaks, breaks, spills, blowouts, and other undesirable events occurring at any oil or gas drilling, producing, or transportation facility, or at any injection or disposal facility

- Justification

- To remove ambiguity and clarify that only minor and major events are subject to reporting and events that do not meet criteria for minor or major do not have to be reported

# Changes to Definition of Major Events

- Current Definition

5.2. Equipment failures or other accidents that result in the flaring, venting, or wasting of more than 500 Mcf of gas.

- Proposed Change

5.2. Equipment failures or other accidents that result in the flaring, venting, or wasting of more than ~~500~~ 3,000 Mcf of gas.

- Justification

Raises the threshold to a level similar to reporting thresholds under federal regulations or requirements of other states with oil and gas operations



# Changes to Definition of Minor Events

- Current Definition

6.2 Equipment failures or other accidents that result in the flaring, venting or wasting of more than 50 Mcf of gas and are not considered major events in R649-3-32-5.

- Proposed Change

6.2 Equipment failures or other accidents that result in the ~~flaring~~, venting or wasting of more than 50 Mcf of gas and are not considered major events in R649-3-32-5.

- Justification

Flares are control devices (safety, emissions) and part of system design. Flaring prevents venting of gas releases directly to atmosphere. Flaring reduces significantly emissions of methane and Volatile Organic Compounds resulting in lesser impact to environment as compared to venting. Therefore, a higher reporting threshold would more appropriate.

# Impact of Proposed Changes

Year	All Events		Reportable Under New Thresholds		% of Reported Events and Volumes	
	Number of Events	Reported Volume	Number of Events	Reportable Volume	Events	Volumes
2013	163	341,885	9	259,252	6%	76%
2014	91	804,287	10	769,812	11%	96%
2015	143	141,437	11	80,992	8%	57%
2016 (through April 15, 2016)	34	68,136	3	49,798	9%	73%

Note: The proposed changes will not impact reporting of leaks, spills of liquids, or other undesirable events currently subject to reporting except flares.

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# Questions



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# APPENDIX





## State reporting requirements for natural gas releases at natural gas production facilities

Louisiana	Oklahoma	Texas	Utah	Wyoming
<p>Applicable to crude oil and natural gas production/ processing operations (including gathering lines): A release<sup>1</sup> greater than <b>1000 lbs (21.8 MCF)</b> in a 24-hour period that is reasonably expected to escape beyond the site of the facility.</p> <p>Blowdown authorization by LADEQ:</p> <ul style="list-style-type: none"> <li>• &lt; 1 MMSCF: no approval or permitting required</li> <li>• 1 MMSCF but &lt; 2.5 MMSCF: Regulatory permit required</li> <li>• <b>2.5 MMSCF</b>: Regulatory permit and flaring required</li> </ul>	<p>Non-DOT gathering intrastate pipeline incident<sup>4</sup> resulting in:</p> <ul style="list-style-type: none"> <li>• A death or personal injury requiring in-patient hospitalization</li> <li>• Estimated property damages of \$50,000</li> <li>• Unintentional gas loss of <b>three million cubic feet</b> or more</li> <li>• Any other event that is significant in the judgment of the operator</li> </ul>	<p>Release of natural gas (excluding CO<sub>2</sub>, water, nitrogen, methane, ethane, noble gases, hydrogen and oxygen) is greater than or equal to <b>5,000 lbs</b> (approximately 2 MMSCF)</p>	<p>Fires, leaks, breaks, spills, blowouts, and other undesirable events occurring at any oil or gas drilling, producing, or intrastate transportation facility, or any injection or disposal facility.</p> <p>Major events defined to include:</p> <ul style="list-style-type: none"> <li>- Equipment failures or accidents which result in the flaring, venting, burning, or wasting of more than 500 Mcf of gas;</li> </ul> <p>“Minor Undesirable Events” include</p> <ul style="list-style-type: none"> <li>- Equipment failures or other accidents that result in flaring, venting, burning, or wasting of more than <b>50 Mcf</b> of gas and are not “Major Events.”</li> </ul>	<p>At drilling and production locations, accidents or fires of major consequence<sup>2</sup>.</p>

### Summary

LA		OK	TX	UT	WY
Flares					
2.5 mmcf		No threshold	100 mmcf	50 mcf	Not defined 5 tpy of VOC at some facilities ~100 mmcf of natural gas
50X		X	2000X	X	2000X
Uncombusted releases					
21.8 mcf (leaks, reportable to LEPCs)	1 mmcf (planned blowdowns reportable to LADEQ)	3 mmcf (unintentional loss)	2 mmcf	50 mcf	Not defined
0.4Y	20Y	60Y	40Y	Y	

<sup>1</sup> Defined as a gathering pipeline unit, less than one mile in length, that is not subject to the U.S. Department of Transportation Pipeline Safety Regulations at 49 C.F.R. Parts 191 and 192. [Okla. Admin. Code 165:20-10-1](#); [165:20-10-2](#).

<sup>2</sup> “Major consequence” is not defined.



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